

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re:

TERRESTAR NETWORKS INC., *et al.*,<sup>1</sup>

Debtors.

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)  
) Chapter 11  
)  
) Case No. 10-15446 (SHL)  
)  
) Jointly Administered  
)

**MONTHLY OPERATING REPORT FOR THE PERIOD  
FROM DECEMBER 1, 2010 TO DECEMBER 31, 2010**

Debtors' Address: 12010 Sunset Hills Road  
6<sup>th</sup> Floor  
Reston, VA 20190

Debtors' Counsel: Ira S. Dizengoff  
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One Bryant Park  
New York, New York 10036

The undersigned, having reviewed the attached report and being familiar with the Debtors' financial affairs, verifies under penalty of perjury, that the information contained therein is complete, accurate and truthful to the best of my knowledge.

*s/ Douglas A. Brandon*  
Douglas A. Brandon, General Counsel  
& Secretary of TerreStar Networks Inc.

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Motient Communications Inc. [3833]; Motient Holdings Inc. [6634]; Motient License Inc. [2431]; Motient Services Inc. [5106]; Motient Ventures Holding Inc. [6191]; MVH Holdings Inc. [9756]; TerreStar New York Inc. [6394] (the foregoing entities are collectively referred to as the "***Non-TSN Debtors***"); TerreStar License Inc. [6537]; TerreStar National Services Inc. [6319]; TerreStar Networks Inc. [3931]; (TerreStar License Inc., TerreStar National Services Inc. and TerreStar Networks Inc. are collectively referred to as the "***Domestic TSN Debtors***" and, together with the Non-TSN Debtors, the "***Domestic Debtors***"); 0887729 B.C. Ltd. [1345]; TerreStar Networks (Canada) Inc. [8766]; and TerreStar Networks Holdings (Canada) Inc. [1337] (0887729 B.C. Ltd., TerreStar Networks (Canada) Inc. and TerreStar Networks Holdings (Canada) Inc. are collectively referred to as the "***Canadian Debtors***" and, together with the Domestic TSN Debtors, the "***TSN Debtors***").

**TERRESTAR NETWORKS INC., ET AL.**

**Monthly Operating Reports  
For the period from December 1, 2010 to December 31, 2010**

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# TERRESTAR NETWORKS INC., ET AL.

## Debtor-in-Possession

### Condensed Consolidated Balance Sheets (Unaudited)

	December 31, 2010	December 31, 2009 (Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 11,039,143	\$ 1,351,314
Inventories, net	7,697,107	-
Due from TerreStar Global	9,351	256,310
Deferred issuance costs (includes \$4,319,110 and \$0 towards Debtors in possession loan for 2010 and 2009 respectively)	6,351,283	2,032,173
Other current assets	4,000,335	2,853,406
Total current assets	29,097,219	6,493,203
Restricted cash	237,373	472,219
Property and equipment (net of accumulated depreciation \$42,792,527 and \$13,039,299 as of December 31, 2010 and 2009 respectively)	1,030,939,386	946,749,933
Intangible assets (net of accumulated amortization \$487,590 and \$363,073 as of December 31, 2010 and 2009 respectively)	791,666	1,164,392
Deferred issuance costs	4,318,368	6,350,541
Other non-current assets	-	6,000,000
<b>Total assets</b>	<b>\$ 1,065,384,012</b>	<b>\$ 967,230,288</b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 81,412,841	\$ 22,019,950
Debtors in Possession Loan, net	26,626,672	-
Due to TerreStar Corporation	52,658,465	48,601,163
Deferred satellite performance incentives	14,089,867	19,350,086
Obligations under capital leases	-	26,445
Deferred rent	951,067	819,633
TerreStar-2 Purchase Money Credit Agreement including contingent interest derivative and accrued interest, thereon	88,418,522	-
Total current liabilities	264,157,434	90,817,277
TerreStar Notes including contingent interest derivative and accrued interest, thereon (net of discount \$46,808,959 and \$48,527,889 as of December 31, 2010 and 2009, respectively)	927,779,334	791,930,379
TerreStar Exchangeable Notes and accrued interest, thereon (net of discount \$58,333,333 and \$75,000,000 as of December 31, 2010 and 2009, respectively)	120,414,374	94,728,781
TerreStar-2 Purchase Money Credit Agreement including contingent interest derivative and accrued interest, thereon	-	67,914,427
Deferred revenue	40,000,000	-
Deferred satellite performance incentives, net of current portion	6,694,119	8,061,939
Due to TerreStar Corporation, net of current portion	60,656,164	53,156,164
Deferred rent, net of current portion	479,585	1,423,292
Total liabilities	1,420,181,010	1,108,032,259
<b>Stockholders' deficit</b>		
Common stock; voting, par value \$0.001; authorized 50,000,000 shares; 40,898,979 shares issued and outstanding as of	40,899	39,895
Additional paid-in capital	519,176,506	480,667,060
Cumulative translation adjustment	5,046,571	2,596,304
Accumulated deficit	(879,060,974)	(624,105,230)
Total stockholders' deficit	(354,796,998)	(140,801,971)
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 1,065,384,012</b>	<b>\$ 967,230,288</b>

**TERRESTAR NETWORKS INC., ET AL.**  
**Debtor-in-Possession**

**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	<b>MONTH ENDED DECEMBER 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenues</b>	\$ 113,479	\$ -
<b>Operating expenses</b>		
Cost of goods sold	615,155	-
General and administrative (including cost of network service)	5,039,628	6,401,715
Research and development	2,141,034	2,799,036
Depreciation and amortization	5,297,787	576,379
Loss on asset disposals	-	8,867
Total operating expenses	<u>13,093,604</u>	<u>9,785,997</u>
<b>Net operating (loss) income</b>	(12,980,125)	(9,785,997)
Interest expense	(12,164,465)	(6,143,022)
Interest and other (expense) income	(149,674)	6,552
<b>Net loss</b>	<u><u>\$ (25,294,264)</u></u>	<u><u>\$ (15,922,467)</u></u>

The accompanying notes are an integral part of these condensed consolidated financial statements

# TERRESTAR NETWORKS INC., ET AL.

## Debtor-in-Possession

### Condensed Consolidated Statements of Cash Flows

(Unaudited)

	MONTH ENDED DECEMBER 31,	
	2010	2009
<b>Cash Flows Used In Operating Activities</b>		
Net (loss) Income	\$ (25,294,264)	\$ (15,922,467)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,297,787	576,379
Amortization of debt discount and deferred issuance costs	1,420,562	5,634,582
Stock based compensation expense	-	1,462,940
Changes in assets and liabilities:		
Due from TerreStar Corporation	(705,321)	-
Accounts payable and accrued expenses	3,060,591	4,015,405
Inventories	(1,077,145)	-
Deferred rent	(71,365)	(58,645)
Accrued interest	10,562,526	4,025,159
Other current assets	1,131,759	181,837
Net cash used in operating activities	<u>(5,674,870)</u>	<u>(84,810)</u>
<b>Cash Flows Used In Investing Activities</b>		
Restricted cash	(146)	-
Payment of orbital incentive	(348,644)	-
Additions to property and equipment, net	<u>(77,324)</u>	<u>(3,684,169)</u>
Net cash used in investing activities	<u>(426,114)</u>	<u>(3,684,169)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from debtor in possession loan, net	5,880,000	-
Payments for capital lease obligations	-	(6,375)
Net cash provided by (used in) financing activities	<u>5,880,000</u>	<u>(6,375)</u>
Foreign exchange effect on cash and cash equivalents	<u>925</u>	<u>1,879</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(220,059)</u>	<u>(3,773,475)</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>11,259,202</u>	<u>5,124,789</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>\$ 11,039,143</u></u>	<u><u>\$ 1,351,314</u></u>

The accompanying notes are an integral part of these condensed consolidated financial statements

# **TERRESTAR NETWORKS INC., ET AL.**

## **Debtor-in-Possession**

### **Notes to Condensed Consolidated Financial Statements**

#### **1. Background and Bankruptcy**

**Background** - TerreStar Networks Inc. (“the Company”, “TerreStar Networks”, “we”, “us” or “our”), in cooperation with its Canadian partners, TerreStar Canada and TerreStar Solutions, majority-owned subsidiaries of Trio 1 and 2 General Partnerships (“Trio”), operates an innovative wireless communications system providing mobile coverage throughout the United States and Canada using integrated satellite-terrestrial smartphones and other devices. This network is based on an integrated satellite and ground-based technology intended to provide communication service in most hard-to-reach areas and will provide a nationwide interoperable, survivable and critical communications infrastructure. We provide multiple communications applications, including voice, data and short messaging.

On September 21, 2010, our dual-mode cellular/satellite smartphone, the TerreStar™ GENUS™ (“GENUS”), was made available for enterprise, government and small business customers by AT&T as part of AT&T’s new Satellite Augmented Mobile Service. On November 21, 2010, the GENUS was made available to consumers through on-line retailer Simplexity.

**Chapter 11 Cases** - On October 19, 2010 (the “Petition Date”), TerreStar Networks Inc. and certain of its affiliates (collectively, the “Debtors”) filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York. The Debtors continue to operate their business as “debtors in possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court.

On the Petition Date the Debtors sought approval of ongoing access to cash collateral as well as approval to enter into an aggregate \$75 million junior secured debtor-in-possession financing facility (the “DIP Facility”). The DIP Facility is secured by a first lien on all of the Debtors’ assets, subject to the liens held by the Debtors’ Senior Secured Noteholders and the lenders under the PMCA. In addition, the DIP Facility is guaranteed by all of the Debtors; however, the guarantee provided by the Non-TSN Debtors is limited to the aggregate amount of DIP Facility funds these entities actually receive from the DIP Financing Facility, as fully set forth in the DIP Facility and the Interim DIP Order (defined below).

Ultimately, as set forth below, pursuant to the First Amendment to the DIP Facility (filed on November 12, 2010), the Non-TSN Debtors will be removed as guarantors upon the repayment of the minimal funds loaned to such entities. The DIP Facility carries a 15% interest rate, (which is paid-in-kind), and was issued with a 2% original issue discount. The DIP Lenders received a 3% commitment fee for providing the DIP Facility, which was also paid-in-kind. The DIP Facility contains negative and affirmative covenants standard for debtor-in-possession financing facilities, as well as various operational performance covenants. The DIP Facility contains various events of default, including, without limitation, complying with the following milestones: (1) the TSN Debtors file a plan and disclosure statement on or before November 5, 2010; (2) receive Bankruptcy Court approval of the disclosure statement on or before December 14, 2010; (3) commence a hearing to confirm the plan before January 31, 2011; and (4) obtain Bankruptcy Court approval of the plan by February 14, 2011. On October 20, 2010, the Bankruptcy Court entered an order approving the Debtors’ entry into the DIP Facility on an interim basis (the “Interim DIP Order”) [Docket No. 35].

On November 12, 2010, the TSN Debtors filed the First Amendment to the DIP Facility [Docket No. 153]. Pursuant to Amendment #1, the DIP Facility was amended, among other things, as follows: (1) the milestone requirement that the Debtors receive Bankruptcy Court approval of the Debtors' assumption of the RSA (defined below) within 35 days of the Petition Date was eliminated; (2) from and after the date on which all advances made by TSN and its subsidiaries to the Non-TSN Debtors are repaid in full in cash, the Non-TSN Debtors will cease to be Loan Parties or Guarantors (each as defined in the DIP Facility) of the TSN Debtors' obligations under the DIP Facility and any security interests granted in any collateral of the Non-TSN Debtors will be released and terminated; (3) the first measurement date for the operational covenants requiring the TSN Debtors to (a) earn a certain minimum amount of revenue from the Roam-In Business and (b) achieve a certain minimum number of subscribers was moved from November 30, 2010 to December 31, 2010; and (4) the date of the next draw of the DIP Facility was set for December 15, 2010, in the amount of \$6 million.

The Non-TSN Debtors did not receive any advances under the DIP Facility. Accordingly, under the First Amendment to the DIP Facility, as of November 12, 2010, the Non-TSN Debtors ceased to be Loan Parties or Guarantors of the TSN Debtors' obligations under the DIP Facility and any security interests granted in any collateral of the Non-TSN Debtors were released and terminated. The final hearing on the DIP Motion was held on November 16, 2010, and on November 18, 2010, the Bankruptcy Court entered an order approving the Debtors' entry into the DIP Facility on a final basis (the "Final DIP Order") [Docket No. 181].

On December 14, 2010, the TSN Debtors filed the Second Amendment to the DIP Facility [Docket No. 270]. Pursuant to this amendment: (1) the milestone requirement for receipt of Bankruptcy Court approval of the disclosure statement was moved from December 14, 2010 to December 22, 2010; (2) the milestone requirement for commencement of a hearing by the Bankruptcy Court on confirmation of an Acceptable Plan was moved from January 31, 2011 to February 14, 2011; (3) the milestone requirement for entry of a final, non appealable order by the Bankruptcy Court confirming an Acceptable Plan was moved from February 14, 2011 to February 28, 2011; (4) the milestone requirement for filing with the FCC or Industry Canada all necessary applications and notifications as required by the DIP Facility was moved from December 14, 2010 to December 22, 2010; and (5) in light of the TSN Debtors' cash management, the next funding date under the DIP Facility (at which time \$6 million will be drawn) was moved from December 15, 2010 to December 23, 2010. Subsequently, EchoStar Corporation, the Debtors' DIP Lender, agreed to amend the DIP Facility Milestones to no later than March 7, 2011 (for commencement of the Confirmation Hearing) and March 25, 2011 (for entry of final order confirming the Plan).

On November 5, 2010, the TSN Debtors filed the *Joint Chapter 11 Plan of TerreStar Networks Inc., TerreStar National Services Inc., 0887729 B.C. Ltd., TerreStar License Inc., TerreStar Networks Holdings (Canada) Inc. and TerreStar Networks (Canada) Inc.* [Docket No. 82] (as may be amended, modified or supplemented from time to time, the "Plan") and the *Disclosure Statement for the Joint Chapter 11 Plan of TerreStar Networks Inc., TerreStar National Services Inc., 0887729 B.C. Ltd., TerreStar License Inc., TerreStar Networks Holdings (Canada) Inc. and TerreStar Networks (Canada) Inc.* [Docket No. 83] (as may be amended, modified or supplemented from time to time, the "Disclosure Statement"). On December 22, 2010, the Bankruptcy Court entered an order approving the Disclosure Statement and the TSN Debtors' began solicitation of votes on the Plan. A hearing to consider confirmation of the Plan has been scheduled to be heard by the Bankruptcy Court on March 4, 2011 at 10:00 a.m.

## **2. Significant Accounting Policies**

**Basis of Presentation** - The condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America "GAAP". The financial statements include the accounts of the Company, its wholly-owned subsidiary TerreStar National Services, Inc., its

wholly-owned subsidiary 4506901 Canada Incorporated, and TerreStar Canada, a variable interest entity. We consolidated the accounts of TerreStar Canada into our consolidated financial statements as we concluded that we were the primary beneficiary of TerreStar Canada. All intercompany accounts are eliminated upon consolidation.

The accompanying condensed consolidated financial statements do not include any adjustments that results in connection with our filing for reorganization under Chapter 11 on October 19, 2010.

***Use of Accounting Estimates*** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's most significant estimates relate to the fair value of derivatives, stock-based compensation, and long-lived assets. Due to the inherent uncertainty involved in using estimates, actual results reported in future periods could differ from those estimates.

***Cash and Cash Equivalents*** - The Company considers all highly liquid investments with original maturities of ninety days or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments. As of December 31, 2010, we had \$0.2 million of restricted cash held in money market escrow accounts. This amount is restricted in accordance with various leases and security deposits. The carrying amount of the restricted cash approximates fair value due to short-term maturities.

***Concentrations of Credit Risk*** - Financial instruments, which are potentially subject to concentrations of credit risk, consist principally of cash and short-term investments. We periodically invest funds in short-term investments primarily in United States Treasury money market funds. At December 31, 2010, we had approximately \$10.1 million in highly liquid short-term investments. To date, we have not experienced any losses on cash or investments.

***Fair Value of Financial Instruments*** - The carrying amounts of certain of our financial instruments, such as cash and cash equivalents, restricted cash, investments, receivables, accounts payable and accrued liabilities, approximate their fair values based on their short maturities. The fair value of certain financial instruments such as our notes, exchangeable notes and related long-term debt differs from its carrying value recorded in the accompanying condensed consolidated financial statements.

***Property and Equipment*** - We record property and equipment ("P&E"), including leasehold improvements at cost. P&E consists of costs associated with our satellites and associated ground network infrastructure, lab, office and computer equipment, software, and leasehold improvements. The satellite and terrestrial network assets under construction primarily include materials, labor, equipment, satellite launch insurance premium and interest related to the construction and development of our satellite and terrestrial network. Assets under construction are not depreciated until placed into service. Pursuant to acceptance of Space Based Network on August 6, 2010, we commenced depreciation of TerreStar-1 and the core network infrastructure, as they were ready for their intended use.

***Inventories*** - Inventories include our satellite handsets and accessories. We value inventories at the lower of cost (determined on a first-in, first-out basis) or market.

***Revenue Recognition*** - Our revenue currently is derived primarily from a spectrum-leasing agreement. We recognize spectrum lease revenue over the term of the lease. Revenue from sale of handsets and related accessories recorded as gross revenue, are recognized upon delivery, when title is transferred to the



customer.

***Income Taxes*** - Income taxes are accounted for using the liability method of accounting. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes that enacted date. If it is more likely than not that some portion of all of the deferred tax assets will not be realized, a valuation allowance is recognized.

***Research and Development Costs*** - The costs of research and development activities are expensed when incurred. Research and development activities consist of time and material costs related to the development of our handset technology, integrated satellite and terrestrial communications network, salaries, wages and other related costs of personnel engaged in research and development activities.

***Translation of Foreign Currencies*** - The assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates. Income and expense items are translated into U.S. dollars at average rates of exchange prevailing during the period. The gains and losses that result from this process are accumulated in a separate component of stockholders' (deficit) equity.

***Recently Issued Accounting Pronouncements*** - Effective January 1, 2010, we adopted the new accounting standard issued by FASB in June 2009, which requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity and to continuously assess whether they must consolidate VIE's. The adoption of the standard did not have material impact on our condensed consolidated financial statements as we continue to consolidate our VIE, TerreStar Canada.

In October 2009, the FASB issued an accounting guidance update related to revenue arrangements with multiple deliverables. The guidance relates to the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting and modifies the manner in which the consideration under the arrangement is allocated across the individual deliverables. The guidance will be effective for us beginning on January 1, 2011, and may be applied retrospectively for all periods presented or prospectively to arrangements entered into or materially modified after the adoption date. Early adoption is permitted provided that the guidance is retroactively applied to the beginning of the year of adoption. We are currently assessing the impact, if any, on our condensed consolidated financial statements.

**TERRESTAR NETWORKS INC., ET AL.**  
**Debtor-in-Possession**

**Schedule of Cash Disbursements by Legal Entity**

<b>Debtor</b>	<b>Case Number</b>	<b>Period from December 1, 2010 to December 31, 2010 Disbursements</b>
<b>TSN Debtors</b>		
TerreStar Networks Inc.(1)	10-15446 (SHL)	6,573,336
TerreStar License Inc.	10-15446 (SHL)	-
TerreStar National Services Inc.	10-15446 (SHL)	-
0887729 B.C. Ltd	10-15446 (SHL)	-
TerreStar Networks (Canada) Inc.	10-15446 (SHL)	100,551
TerreStar Networks Holdings (Canada)	10-15446 (SHL)	-
<b>Non-TSN Debtors</b>		
Motient Communications	10-15446 (SHL)	-
Motient Holdings Inc.	10-15446 (SHL)	-
Motient License Inc.	10-15446 (SHL)	-
Motient Services Inc.	10-15446 (SHL)	-
Motient Ventures Holdings Inc.	10-15446 (SHL)	-
MVH Holdings Inc.	10-15446 (SHL)	-
TerreStar New York	10-15446 (SHL)	-

(1) For the month of December, TerreStar Networks transferred \$101k to TerreStar Networks Canada Inc.

**TERRESTAR NETWORKS INC., ET AL.**  
**Debtor-in-Possession**

**Status of Post-Petition Taxes**

Federal	Amount		Date Paid	Amount		Date Paid	Amount		Accrual dates
	Withheld/Accrued			Withheld/Accrued			Withheld/Accrued		
Federal income tax	91,772.27		12/10/2010	73,212.66		12/23/2010	34,908.65		12/27-12/31
FICA - EE	8,964.52		12/10/2010	8,006.99		12/23/2010	9,692.25		12/27-12/31
FICA - ER	8,964.54		12/10/2010	8,006.96		12/23/2010	14,307.59		12/27-12/31
Medicare - EE	7,730.86		12/10/2010	6,765.06		12/23/2010	3,346.12		12/27-12/31
Medicare - ER	7,730.93		12/10/2010	6,765.05		12/23/2010	3,346.13		12/27-12/31
Federal unemployment	12.11		12/10/2010	-			1,679.77		12/27-12/31
Other:	-			-			-		
Total Federal	125,175.23			102,756.72			67,280.51		
<b>State and Local</b>									
State income tax	22,250.33		12/10/2010	18,646.82		12/23/2010	8,890.11		12/27-12/31
Sales/Use	-								
Excise	-								
State unemployment	100.41		12/10/2010	36.12		12/23/2010	13,110.47		12/27-12/31
Real Property	-								
Personal Property	-								
Other: franchise	799.21		12/2/2010						
Total State and Local	23,149.95			18,682.94			22,000.58		
<b>Total Taxes</b>	<b>148,325.18</b>			<b>121,439.66</b>			<b>89,281.09</b>		

**TERRESTAR NETWORKS INC., ET AL.**  
**Debtor-in-Possession**

**Schedule of Payments to Insiders and Professionals**

	<b>Period From Dec 1 - Dec 31 <u>Disbursements</u></b>
<b><u>Retained Professionals</u></b>	
The Blackstone Group	-
The Garden City Group Inc.	461,210
Akin Gump Strauss Hauer & Feld LLP	-
Fraser Milner Casgrain LLP	70,263
Stikeman Elliot LLP	-
Goldberg, Godles, Wiener & Wri	3,314
Wilkinson Barker Knauer	25,541
Goodmans LLP	142,914
Wilkie Farr & Gallagher	250,795
<b><u>Other Professionals</u></b>	
Deloitte & Touche - Canada	199,947
US Bank St. Paul Mn	181,367
<b><u>Insiders</u></b>	
TerreStar Solutions	53,454

# TERRESTAR NETWORKS INC., ET AL.

## Debtor-in-Possession

### Debtor Questionnaire

<b>Case No.</b>	
(Jointly Administered)	10-15446 (SHL)
Reporting Period	December 31, 2010

<b>Must be completed each month. If the answer to any of the questions is "Yes", provide a detailed explanation of each item. Attach additional sheet if necessary.</b>	<b>Yes</b>	<b>No</b>
Have any assets been sold or transferred outside the normal course of business this reporting period?		<b>X</b>
Have any funds been disbursed from any account other than a debtor in possession account this reporting period?		<b>X</b>
Is the Debtor delinquent in the timely filing of any post-petition tax returns?		<b>X</b>
Are workers compensation, general liability or other necessary insurance coverages expired or cancelled, or has the debtor received notice of expiration or cancellation of such policies?		<b>X</b>
Is the Debtor delinquent in paying any insurance premium payment?		<b>X</b>
Have any payments been made on pre-petition liabilities this reporting period?		<b>X</b>
Are any post petition receivables (accounts, notes or loans) due from related parties?		<b>X</b>
Are any post petition payroll taxes past due?		<b>X</b>
Are any post petition State or Federal income taxes past due?		<b>X</b>
Are any post petition real estate taxes past due?		<b>X</b>
Are any other post petition taxes past due?		<b>X</b>
Have any pre-petition taxes been paid during this reporting period?		<b>X</b>
Are any amounts owed to post petition creditors delinquent?		<b>X</b>
Are any wage payments past due?		<b>X</b>
Have any post petition loans been received by the Debtor from any party?	<b>X<sup>(1)</sup></b>	
Is the Debtor delinquent in paying any U.S. Trustee fees?		<b>X</b>
Is the Debtor delinquent with any court ordered payments to attorneys or other professionals?		<b>X</b>
Have the owners or shareholders received any compensation outside of the normal course of business?		<b>X</b>

(1) Represents DIP facility more fully described on page 6 of this Monthly Operating Report.